

## Message Text

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PAGE 01 BRASIL 07651 300532Z

ACTION ARA-15

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02

OPIC-03 LAB-04 SIL-01 OMB-01 /096 W

-----044832 301919Z /43

R 281845Z SEP 78

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9220

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 7651

E.O. 11652: N/A

TAGS: EINV, BR

SUBJECT: BRAZILIAN FOREIGN INVESTMENT POLICY

1. IN A COURTESY CALL ON DR. LYCIO DE FARIA, SECRETARY GENERAL OF THE MINISTRY OF INDUSTRY AND COMMERCE, THE EMBASSY COMMERCIAL COUNSELOR SAID THAT WITH THE MOVE OF HIS POSITON FROM SAO PAULO TO BRASILIA ONE OF THE THINGS HE HOPED TO DO WAS TO FOLLOW BETTER THE DEVELOPMENT OF BRAZILIZN INVESTMENT POLICY IN ORDER TO ANSWER THE MANY QUESTIONS THE USG IS RECEIVING FROM US FIRMS ABOUT RECENT TRENDS IN GOB POLICY TOWARD FOREIGN INVESTMENT AND THE DIRECTION THAT POLICY MAY TAKE IN THE FUTURE.

2. THE SECRETARY GENERAL REPLIED THAT THERE HAD BEEN NO BASIC CHANGE IN GOB POLICY TOWARD FOREIGN INVESTMENT, BUT THAT THERE WAS A GREATER EMPHASIS BEING PLACED ON JOINT-VENTURES. HE SAID IT HAD BECOME A MATTER OF COURSE FOR THE COUNCIL FOR INDUSTRIAL DEVELOPMENT (CDI), ON RECEIPT OF INVESTMENT APPLICATONS FROM FOREIGN FIRMS, TO EXAMINE THE POSSIBILITY OF BRINGING ABOUT A JOINT VENTURE.

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PAGE 02 BRASIL 07651 300532Z

3. THE COMMERCIAL COUNSELOR COMMENTED THAT THE EXPERIENCE OF US FIRMS INDICATED THAT A JOINT VENTURE COULD BE SUCCESSFUL IF THE BRAZILIAN FIRM WAS A "NATURAL PARTNER" WITH EXPERIENCE IN THE SAME FIELD AS THE US INVESTOR AND THUS CAPABLE OF MAKING A CONTRIBUTION TO THE PARTNERSHIP ON A BASIS OF REAL EQUALITY. IF, HOWEVER, THE

PARTNERSHIP WAS AN ARTIFICIAL ONE IMPOSED  
BY THE GOVERNMENT IT WAS NOT LIKELY TO BE REGARDING TO  
EITHER PARTY. FOR EXAMPLE, IT WAS SURPRISING TO HEAR  
OF A RECENTLY FORMED JOINT VENTURE BY A BRAZILIAN  
INSURANCE COMPANY AND A EUROPEAN EQUIPMENT MANUFACTURER  
DESIGNED  
TO COMPLY WITH A GOB REQUIREMENT RELATING TO  
TELECOMMUNICATIONS EQUIPMENT.

4. THE SECRETARY GENERAL SAID HE AGREED THAT FOREIGN  
INVESTORS SHOULD NOT BE PUSHED INTO JOINT VENTURES WITH  
INAPPROPRIATE PARTNERS. IF CDI IS SATISFIED THAT A  
SUITABLE BRAZILIAN PARTNER IS NOT AVAILABLE IT WILL  
GRANT APPROVAL TO WHOLLY FOREIGN-OWNED PROJECTS, AS IT  
IS STILL DOING ALMOST EVERY DAY.

5. COMMENT: A NUMBER OF US FIRMS HAVE REPORTED TO US  
THAT CDI HAD SUBJECTED THEM TO PRESSURE TO TAKE ON  
BRAZILIAN PARTNERS, BUT THE GOB HAS NEVER PUBLICLY  
STATED THIS TO BE ITS POLICY AND LYCIO DE FARIA'S  
STATEMENT IS THE FIRST PRIVATE ADMISSION THAT THIS IS  
THE CASE. THE EMBASSY CONSIDERS THAT IT WOULD BE  
INDISCREET TO QUOTE HIM PUBLICLY ON THIS MATTER, BUT  
SEES NO OBJECTION TO INFORMING INDIVIDUAL US FIRMS WHO  
INQUIRE ABOUT GOB INVESTMENT POLICY.

HIGH  
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PAGE 03      BRASIL 07651 300532Z

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, POLICIES, TRENDS  
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**Copy:** SINGLE  
**Draft Date:** 28 sep 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978BRASIL07651  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
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**Review Event:**  
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**Review Release Event:** n/a  
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**TAGS:** EINV, BR  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
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20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014